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May 1948

BIOGRAPHIC DATA

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Post: HICOG Bonn, Germany
Date: May 27, 1952
Reporting Officer: W.J. Mueller

44-1952

Name ERHARD Ludwig
(Surname) (Given name)
Nationality German Title Professor, Dr. of Political Science
Position Federal Minister of Economic Affairs Date appointed Sept. 20,
1949.

Personal data:

Address: Bonn, Federal Ministry of Economic Affairs; Munich-Grosshesselohe, Marienstrasse 10, telephone 79 40 15.

Born February 4, 1897, Fuerth, Bavaria. Religion: Evangelical Lutheran. Married. Brother: Willy Erhard, Munich economist.

Appearance: Stout, medium height, thinning blond hair parted on left. Somewhat florid complexion and porcine features. Light blue eyes. Always neatly groomed and not displeasing in appearance.

Education:

Grammar school, Fuerth, Bavaria, 1903-07; secondary school (Realschule), Fuerth, Bavaria, 1907-13; Commercial College, Nuremberg, 1919-22, with diploma (Diplom-Kaufmann); University of Frankfurt, 1922-24, receiving degree of Dr. of Political Science (Dr. rer.pol.). At Frankfurt, was a student of the well-known economist, Professor Frans Oppenheimer, the protagonist of a liberal economic order.

Military service:

World War I, 1916-18. Seriously wounded; discharged from hospital in 1919. No service in World War II.

Languages:

School knowledge of English and French.

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Political:

Although not a member of any party before 1933, he voted for the SPD in the Reichstag elections of November 1932 and March 1933.

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in 1961
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During the Nazi regime he had no connections with the NSDAP or with any of its affiliated organizations. He was carried on the rolls as a member of the NSV (NS People's Welfare Organization), although he did not join the organization. The Berlin Document Center has no record of Erhard. A denazification panel placed him in Category V ("Not Affected"). He was accepted by American Military Government for employment without reservation.

Erhard joined the CDU in June 1949 and ran as the top candidate of this party in Württemberg-Baden during the Bundestag election of August 1949. He was elected from Electoral District 8, Württemberg-Baden (Ulm). It is generally accepted that Erhard joined the CDU because of the consistent support that the party gave him while he was serving as Director of the Administration of Economics in the Bizonal Economic Council. His interest in party politics is confined to the support that he can receive for the implementation of his economic plans.

Career:

- 1913 - 1916 Business trainee.
- 1924 - 1928 Business employee and researcher.
- 1928 - 1942 Associated with Institute for Economic Observation (Institut fuer Wirtschaftsbeobachtung), Nuremberg, first as a scientific assistant, then as division chief, and finally (1933-42) as director.
- 1940 - 1943 Advisor on the Lorraine glass industry to the Governor of Westmark (Saarland).
- 1942 - 1943 Independent economic expert and head of Institute for Industrial Research (Institut fuer Industrieforschung), October 1942 - September 30, 1943.
- 1944 Commissioned (Reich Ministry for Economic Affairs) to engage in research in field of consumer goods.
- 1945 Reorganized Nuremberg-Fuerth industry at the request of American Military Government.
- 1945 - 1946 Bavarian State Minister of Economics, October 1945 - December 1946.
- 1947 Honorary professor of Economics, University of Munich.
- 1947 - 1948 Director, Special Office "Money and Credit", Bizonal Economic Administration (preparation of currency reform), October 1947 - March 1948.
- 1948 - 1949 Director, Administration for Economics, Bizonal Economic Council (succeeding Johannes Sclor), March 2, 1948 - September 1949.

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1949 - date CDU member of Bundestag (Electoral District 8, Ula, Württemberg-Baden), elected August 14, 1949). Federal Minister of Economic Affairs, appointed September 20, 1949.

Erhard was a co-founder of the Economic Policy Association of 1947 (Wirtschaftspolitische Gesellschaft von 1947), an organization devoted to the promotion of free enterprise. In 1948 he was confirmed as co-publisher of the economic paper Wachstum und Wirtschaft (Growth and Economics). In the same year he became a member of the board of directors of the Credit Bank for Reconstruction (Kreditanstalt fuer Wiederaufbau). A member of the German Council of the European Movement since January 23, 1949, he became a member of the German Council of the International Council of the European Movement on February 4, 1949. He was selected as a member of the Advisory Council of the Federal Railways, August 25, 1949. Director of Industry Committee (economic working group founded by Geheimrat Adolf Weber), August 11, 1949. Member, Economic Policy Ministerial Committee of the Cabinet, November 22, 1949. Member of board, Reichsvorband deutscher Volks- und Betriebswirte, January 21, 1950. Honorary professor, Bonn, February 4, 1950. Honorary President, Italian Chamber of Commerce for Germany, November 18, 1950. Chairman, board of directors, Institute for Tourist Trade, University of Munich, November 25, 1950.

Activities during the Nazi regime:

Erhard gave up his original plan to embark on an academic career when he found that a basic prerequisite would be membership in the NSDAP and in certain of its affiliated organizations (League of German University Teachers). He managed to remain aloof from the party while he was associated with the Institute for Economic Observation, but as the pressure of Nazism increased, this association became more and more untenable. Finally, in 1942, a break occurred between him and Willy Liobol (administrator of the Institute, Lord Mayor of Muenchen, SS-Oberrgruppenfuhrer, and head of the Central Department of the Reich Ministry of Armaments and War Production), the immediate -- not the underlying -- cause being Erhard's refusal to join the DAF (German Labor Front). Erhard accused Liobol of "lies, slander, and libel", with the result that Liobol, in turn, preferred charges against Erhard, who was fined RM 500 and forced to withdraw from the Institute. The prosecutor in the case stated privately that the court had found Erhard guilty only because of the pressure that the NSDAP had brought to bear on the court.

Immediately after the war, a thorough investigation of Erhard's activities as advisor on the Lorraine glass industry to the Governor (Reichsstatthalter) of the Westmark (1940-43) brought out the fact that, far from aiding the Nazi cause, as had been widely assumed, Erhard had used his position to 1) keep the industry fully operating in its special field rather than in armaments manufacture, and 2) prevent Reich Germans from acquiring title to these properties. The many affidavits submitted by grateful

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Lorraine glass manufacturers in 1945 and 1946 bear testimony to the effective anti-Nazi work performed there by Erhard.

Until 1933 Erhard had collaborated with Leopold Schwarzschild in the publication of his "Diary" (Tagebuch), in which Erhard often published politico-economic articles openly hostile to the NSDAP. After 1933, Erhard found it impossible to publish any treatises in this field. By 1942 he was engaged in drafting secret manuscripts on economic organization in Germany after the defeat of the Nazis. (These writings he buried, but they were preserved, and he was later able to present them as evidence of his wartime activities.) Erhard was in constant contact with Dr. Goerdeler (of July 20, 1944 fame) until early July 1944. Goerdeler showed deep interest in Erhard's views on postwar economic organization and may have considered Erhard for a high government post in the event that the conspiracy was successful. Surprisingly enough, Erhard was not arrested in connection with the plot, perhaps because he had been careful not to make any written mention of the affair in their correspondence. At the same time, Erhard's ideas on postwar (rather than "post-Nazi") reorganization of economic affairs had come to the attention of the Reich Ministry of Economic Affairs which, in 1944, commissioned him to prepare a paper on this subject. Documentary evidence in the form of original letters shows that one of the officials in the Reich Ministry of Economic Affairs most interested in Erhard's views was Otto Glendonorf (Permanent Deputy of the State Secretary; hanged at Landsberg as a war criminal in 1951).

After leaving the Institute for Economic Observation (1942), Erhard served as an independent economic advisor and as Director of the Institute for Industrial Research, first in Nuremberg, and later in Bayreuth. This institute was supported by voluntary contributions from the business world but was not controlled by it. During this period Erhard developed many of the ideas he was later able to apply in the governmental administration posts he held after World War II.

He had an income of RM 10-25,000 per year between 1933 and 1941, including his salary at the Institute for Economic Observation and fees as an economic advisor. In 1942 he earned RM 40,000 as an independent economic expert, and in 1943 and 1944 his income was DM 40-50,000 annually (head of Institute for Industrial Research).

His only foreign travel during the Nazi period was in 1941-42 when he visited Paris a number of times in connection with the Lorraine glass industry. All available evidence indicates that he made these trips at his own expense and that he was at no time under any obligation to the Nazi regime.

Postwar activities:

Accepted by American Military Government from the beginning, Erhard immediately received the assignment to reorganize industry in the Nuremberg-

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Fourth area. He served as economic advisor to Military Government for Upper and Middle Franconia, and proceeded to Munich (October 1945) as Bavarian State Minister of Economic Affairs. He resigned from this position when it was learned that many former Nazis had found refuge in the Ministry; it was never established that Erhard had allowed them to enter, but he was undoubtedly guilty of negligence. In October 1947 he became Director of the Special Office "Money and Credit" (Bizonal Economics Administration), in which position he prepared the currency reform of 1948. In March 1948 he succeeded Johannes Seiler as Director of the Administration for Economics (Bizonal Economic Council) and at once replaced the government-controlled economic system with a system of free enterprise and competition. He has continued this practice since becoming Federal Minister of Economic Affairs, September 20, 1949.

Economic views and practices:

The outstanding German exponent of a free economic system with social, not socialistic aims, Erhard has always rejected collectivism in any form whatsoever. He thus champions the thesis of his old teacher, Franz Oppenheimer, that social aims can be achieved only through liberal methods. An excellent and convincing public speaker, he has the courage of his convictions and a "thick skin" in the face of constant attacks by those who favor a planned economy, or "Night Watchman of Controlled Economy", as he described them upon becoming Federal Minister of Economic Affairs. The tremendous economic revival of Western Germany since he became Director of the Economic Administration in March 1948 -- the extent of his own influence on this development need not be considered here -- permits him to be a congenial optimist and convinces him that he has followed the correct road, as indeed his opponents have great difficulty attempting to prove otherwise. His performance as a Federal official appears to have borne out an early Military Government evaluation of him to the effect that he "coordinates scientific research and practical experience".

Erhard was under constant fire during the Bizonal Economic Council days because of his economic policy. Among the groups and individuals that attacked him were the SPD, the German Trade-Union Federation (DGB) (which conducted a one-day general strike against his policies on November 12, 1948), Dr. Hans Ehard (Minister President of Bavaria), Dr. Josef Mueller (Bavarian Minister of Justice), and Dr. Erich Koellig (SPD Minister of Economics, Land North Rhine-Westphalia). Erhard has always emerged unscathed, and, if not more popular, a man of greater stature. Shortly before the Federal Government was formed (1949), the SPD let it be known that it would not participate in any coalition if the Economics portfolio went to Erhard. The SPD opposition to Erhard remains as bitter today as it was then. A suit for libel brought by Erhard against the SPD was postponed for an indefinite period by the superior court in Hannover in January 1952.

Likewise Erhard remains independent of the influence of German industrialists. His anti-cartel attitude is strong and outspoken, much to the

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dislike of some industrialists. He is opposed to every form of trusts, since they benefit only small groups and not the people as a whole.

European Union - Schuman Plan. Active since January 1949 in the German Council of the European Movement, Erhard sincerely believes in European union as the only satisfactory permanent political organization of Europe. For this reason he considers German participation in a development like the Schuman Plan necessary, as a step in the direction of a united Europe, even though Germany may suffer certain economic disadvantages. Erhard believes that European union has two facets, one economic and one political, but that economic union will probably have to precede political integration.

Western defense: Since Erhard believes firmly in a Germany aligned with the West, he accepts completely the necessity of a German defense contribution. For him, the concept of neutrality is ridiculous, because a helpless Germany would be a temptation to the hordes from the east. And he sees even the SPD opposition to the defense contribution as more a matter of form than of content; in other words, even the opposition will not, in the final analysis, reject western defense, simply because there is no other solution. Erhard would, however, put the German defense contribution on the basis of "willingness to perform" rather than of "willingness to sacrifice", because the military expenditure, from the economist's point of view, is sensible only if it leads to even greater production. In other words, military expenditures must increase and not decrease the standard of living of the German people.

United States: Extremely pro-American, he has taken pride in his American associations since 1945. As Bavarian Minister of Economic Affairs he organized an export exposition which gave him "the opportunity to come in contact with leading American personalities". He has taken several trips to the U.S. (1949, 1951) and has always spoken with admiration of the U.S. His enthusiasm for the U.S. has been mitigated only by the feeling that free enterprise has been sold out by certain elements in the U.S. Often expressing appreciation for the financial generosity of the U.S. to Germany, he wants the German people and government to recognize this help through increased performance on behalf of the Atlantic World: "The German people feel inseparably bound by the goals and ideals of the democratic world.... We cannot and we shall not stand aside when higher sacrifices are required throughout the democratic world.... Out of conviction and necessity we have supported all moves in the direction of international co-operation: Havana Charter, Torquay (reduced tariffs), European Payments Union, and above all the Schuman Plan." And a final quotation (July 1951): "America has given us the courage and strength to start life anew."

Characteristics:

An extrovert, Erhard mixes easily and pleasantly with foreigners. In fact, a ranking French economic expert in Germany has been quoted as saying

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that he does not feel that he is talking to a German when he meets Erhard.

Not intentionally devious, he is subject to being influenced by the last person he has met, hence promises made on one day may, a short time later, undergo startling alteration. Considered quite intelligent, his weaknesses are psychological rather than mental. He is not flexible or creative in his thinking, but adept at using other people's ideas when they fit in with his own, and presenting them as his own. He is egotistical and has a capacity for self-delusion. A good talker and a poor listener, he is always convinced of the rightness of his ideas.

A late 1945 Military Government evaluation of Erhard read in part as follows: "A good mixture of the thinker, planner and executive, he is, however, primarily the thinker. He has the rare ability of inciting extreme loyalty and cooperation among his associates. He would make an excellent deputy and prefers that job to the top spot."

U.S. officials who have observed Erhard in Bonn, on the other hand, regard him as a poor administrator, a bon vivant who does not like hard work, and a man who keeps irregular office hours and spends much time attending public functions. The following (incomplete) list gives a fair indication of Erhard's attendance at public functions:

October 25, 1948	Took part in dismantling talks in Frankfurt.
December 1948	Went to England to study the economic system.
March 3, 1949	Attended Madelny meeting in Bad Godesberg.
April 1949	Visited the U.S. for two weeks; appeared before a committee appointed by Secretary of the Army Royall to study decentralization and decentralization in Germany.
June 16, 1949	Visited Berlin.
July 4, 1949	Visited Stockholm to lecture on the German economic situation after the currency reform.
October 27, 1949	Attended meeting of Association of German Chambers of Industry and Commerce, Ludwigshafen.
November 9, 1949	Visited Paris to attend economic discussions.
January 3, 1950	Visited Bern for discussions with Swiss economists.
April 16, 1950	Visited Berlin.
April 25-29, 1950	Attended international economic conference, Stockholm.
May 10, 1950	Visited The Netherlands for economic discussions.
May 29, 1950	Member of Bundestag delegation visiting Berlin.
September 17, 1950	Delivered speech at opening of Frankfurt fair.
October 1, 1950	Honor guest at meeting of Berlin House of Representatives on the occasion of the acceptance of the new city charter.
October 22, 1950	Addressed the CDU party convention in Goslar.
February 17, 1951	Took part in agricultural policy meeting of German Farmers' Association, Rheindorf/Rhine.
July 4, 1951	Arrived in the U.S. for a visit.

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September 13, 1951 Visited Istanbul, Turkey.
November 20, 1951 Visited Maastricht, Holland on the invitation of
the Dutch Chamber of Commerce of Germany.
April 18, 1952 Attended the Milan Fair; signed German-Italian
Commercial Agreement for 1952-53.

SUMMARY:

A professional economist with many years' experience in his field, Ludwig Erhard is perhaps the foremost exponent within the Federal German Government of a free economy. He has practiced these ideas during the four years that he has held the top economic administration position in Western Germany. Untainted by any Nazi affiliations, he is today a member of the CDU, more in recognition of the support that the party has given his economic policies than out of political conviction. He is constantly at loggerheads with the SPD because of the latter's basically different approach to economic affairs. Very favorably disposed toward the U.S. and to the concept of European union, both economic and political, he is perhaps the most influential member of the Adenauer government. He can be expected to play a significant role in German affairs as long as the present coalition remains in power.

Principal sources:

Bipartite Voting Party files
Personal observations, I&PR Division,
PA, HICOG, 1951
Biographic Registry
German press

Prepared by Walter J. Mueller

Approved: *Ralph D. ...*
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